



N61 W23044 Harry's Way
Sussex, WI
53089-3995
tel 414.566.6000
www.QG.com

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Shoshana Grove
Secretary
Postal Regulatory Commission
901 New York Ave, N.W. Suite 200
Washington, DC 20268-0001

RE: Docket No. N2014-1: DSCF Standard Mail Load Leveling

Dear Secretary Grove,

On behalf of Quad/Graphics, Inc., I am responding to the Postal Service's proposed changes to the service standards for Destination Sectional Center Facility Rate Standard Mail in Docket No. N2014-1.

Quad/Graphics is the second largest commercial printer in the United States, the largest printer of catalogs and one of the country's largest mailers. On behalf of our clients we present the United States Postal Service with more than 12 billion pieces of mail, equating to almost \$5 billion in postal revenue. Our Standard Mail clients include some of the largest catalogers, retailers and direct mailers in the country. The majority of those clients plan for and expect Quad to execute their plans so that delivery of their mail is within specific in-home windows/dates. Those delivery windows are based on the Standard Mail service standards. In many cases, contractual agreements are in place, requiring us to ensure certain percentages of mail are delivered within those in-home windows.

The changes that the USPS proposed could have many unintended consequences for mailers, service providers and the USPS themselves. We wonder why the Postal Service chooses to cut service to correct a problem (**if too much business is really a problem**) that really hasn't been quantified. It's not as if delivery patterns have just changed in the last year or two. Pre-weekend dropshipments and post-weekend delivery has trended this way for many years. Somehow, the Postal Service has decided that overtime and carriers on the street after 5pm on Mondays is caused by a heavy volume of Standard Mail. Apparently, route adjustments/consolidations, network rationalization, the increase in parcel volume which gets into Delivery Units at a later time in the morning (as observed by many mailers and stated by USPS management), etc., does not contribute to this scenario.



We want the Postal Service to manage costs as much, if not more, that they do. However, it cannot be done at the expense of the mailing industry. I'd like to highlight a few issues that are of concern to us and our clients.

- 1) This is a reduction in service while at the same time the USPS is increasing prices for our clients above CPI. Either one of those scenarios will have a negative impact on our clients, and therefore the printing industry. Unfortunately, it's difficult to quantify, but in combination our experience tells us the end results will be harmful to all.
- 2) Despite the accusations of the United States Postal Service, the printing and logistics industry, and Quad/Graphics specifically, do not spend our week accumulating mail to dump on the Postal Service so that we can bump up our profits at the expense of the USPS. As mentioned earlier, transportation-planning and dropship appointments are based on mail being delivered on the days that our catalog, retail and direct mail clients require. That is planned within the service standards that have been developed and agreed to by the USPS and the mailing industry. The required in-home delivery dates are used to build the entire production and distribution schedule.
- 3) Since a large segment of our Standard Mail client base requires Monday delivery within the current service standards, it requires a large volume of mail entering the USPS through dropship on Fridays. That means our peak loading time for trailers is Wednesday and Thursday. It requires us to have more staffing on hand during that time. In a perfect world, we would much rather be able to spread that out throughout the week to easily manage our labor....you might call that load leveling. Unfortunately, that's not how a real competitive business operates. Instead, we utilize a flexible workforce that can be scheduled for those peak periods. That allows us to meet our clients' expectations while at the same time manage our cost.
- 4) While the Postal Service has been quick to tell anyone that would listen how successful they were in the last round of labor negotiations, specifically being able to hire a more flexible workforce, it appears that hiring and managing are two different things. As I mentioned, we and others in the mailing and printing industry have to contend with peaks and valleys in business and volume just as the USPS does. That has not changed in my 32 years in working at Quad/Graphics. Why then, when the USPS finally has more control over their labor are they complaining about peak volumes on Monday? Shouldn't a flexible workforce, and the management of that workforce, be the answer instead of burdening their customers? It appears they have no problem with adding Sunday delivery of parcels and managing a flexible workforce on that specific day.
- 5) The production process can and usually does include commingling of letter mail, comailing of flats, and dropship of both flats and letters on the same transportation. Those processes have become part of the normal production process. When a new standard is proposed for delivery, our clients respond in many ways dependent on their business needs. If all clients who participate in any of the aforementioned processes would be



acceptable to the proposed changes, this becomes a non-issue. However, if our clients are split on acceptance of the proposal and some decide to change their schedules to achieve delivery as is happening today, they would lose the opportunity to participate in the same “pools” (commingle, comail and/or dropship). The result could be higher production and transportation costs because there may be more equipment needed to produce and distribute the mail, and higher postage costs because postal savings from the “pools” are gained by being part of a larger volume of total mail. So there is a cost to the mailing industry, either the mutual clients of the USPS and Mail Service Providers (MSPs), or it will be a cost that MSPs will have to bear because it can’t be passed on to our clients. That is not managing to the “lowest combined costs”.

- 6) This will also increase the costs of the Postal Service. If the volume of mail in commingling and comail pools is reduced, the net result will be less efficient mail being handed off to the USPS....reduction in carrier route and/or 5 digit percentages and finer level pallets (i.e. – SCF). That can also impact the volume of mail that would qualify for dropship at the SCF level, potentially moving mail back to the NDCs. Has the Postal Service done any impact analysis? We have not gotten answers to that question.
- 7) This proposal becomes another inconvenience to mailers and service providers who have production schedules and businesses built around delivery that includes Monday in the current service standards. It gives mailers another reason to question the use of the mail, and to move more of their marketing into other channels. It sends the message that while we want your business, we just don’t want it on Monday. Combine that with the continuing effort to eliminate Saturday delivery, and the message to catalogers and direct mailers is that you have a 4-day a week product if you use the mail. What is the plan, or what can mailers expect to happen if the USPS is allowed to eliminate Saturday delivery? What will happen to delivery and service standards in those weeks that include a Monday holiday?
- 8) Since there is constant consolidation in the printing and mailing industry, more mail is coming into the USPS from fewer service providers. Why didn’t the Postal Service initiate discussions with the largest companies to explain the issue, open discussions and determine whether there was a reasonable way to resolve it? Why did the Postal Service not consider discussing and using incentives (workshare or NSAs) to achieve resolution to the perceived problem? Instead of trying to reduce the amount of mail that should be delivered on Monday, maybe incentives would create load leveling by adding more volume to the other weekdays....volume growth instead of shift.
- 9) Quad/Graphics has been actively involved with the Mailers Technical Advisory Committee (MTAC) for more than 25 years through work group leadership and participation and as Industry Chair on 2 separate occasions. Our commitment to working with the Postal Service through MTAC and individually as one of the largest mailers in the country cannot be questioned. However, we are very disappointed in the way the USPS manipulated MTAC Work Group 157 in order to serve their purpose, which



apparently was to move forward with service standard changes regardless of feedback from work group members and the mailing industry. A test in New Jersey was conducted that the industry agreed was not satisfactory to produce accurate results. Further testing was in the process of being done, but no results have been published. We have not been able to get any estimate of cost savings. Does the USPS have any idea of the savings that can be directly attributed to these changes in the service standards?

And as we heard on the January 10 webinar from the Postmaster General, it was his decision to go ahead with the filing and regardless of the Advisory Opinion of the Postal Regulatory Commission (PRC), he intended to implement the change no earlier than late March. While Quad was listed as a member of Work Group 157 on the slides that were entered into the record by the USPS, in no way should that lead anyone to believe that we are in agreement with the proposed changes to the service standard. By taking this approach, the Postal Service is creating an environment that is less conducive to open and honest discussions which could limit the effectiveness of MTAC.

- 10) From a pure marketing and sales perspective, how do we and the Postal Service encourage more Standard Mail volume from existing clients with the aforementioned message related to Standard Mail being a 4-day a week product? More importantly, how do we and the USPS sales force take that message to companies that currently don't use the mail, and expect them to move from other marketing channels that are 24/7?

Unfortunately, even though this is a critical issue for the mailing industry, I'm fearful that there won't be many comments to the proposed changes. As mentioned, when the PMG made his statement on the January 10 webinar, many in the mailing community felt that comments would be a waste of time since the USPS was set on moving ahead with the changes regardless. There was also a feeling that the voice of mailers should have already been heard through the MTAC 157 Work Group. So I would hope that the PRC does not mistake the lack of comments as a lack of interest by the mailing industry.

It's important that the Postal Service provide answers to our questions and concerns before implementing any changes related to the proposed load leveling plan. We would encourage the PRC to support that position in your Advisory Opinion. Thank you for the opportunity to express our concerns.

Sincerely,

Joseph E. Schick

Joseph E. Schick
Director of Postal Affairs
Quad/Graphics, Inc.



Cc: Dave Riebe, President Quad Logistics/Distribution
Jeff Henke, Executive Director Postal Solutions
Phil Thompson, Manager Business Resources